

Message Text

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SUBJECT: POLAND'S RISING AUTOMOBILE PRODUCTION ACCENTS TWO
CHRONIC ECONOMIC PROBLEMS

1. SUMMARY. NEW PRODUCTION RECORDS ACHIEVED BY POLAND'S

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ULTRA-MODERN FIAT PLANT IN SILESIA
EMPHASIZE POLAND'S SUCCESSFUL USE OF IMPORTED TECH-
NOLOGY BUT ALSO RUN HEAD ON INTO TWO OF THE COUNTRY'S
MOST SERIOUS AND HARD-TO-SOLVE ECONOMIC PROBLEMS-
HOW TO INCREASE EXPORTS TO HARD-CURRENCY MARKETS AND HOW TO
GET MORE OIL. A REPORTED INCREASE IN EC CONCERN ABOUT LOW-
COST COMECON EXPORTS AND SOVIET INTRANSIGENCE ABOUT INCREASING

OIL DELIVERIES MAKE THE OUTLOOK UNCERTAIN. END SUMMARY.

2. THE AUGUST 10 EDITION OF TRYBUNA LUDU REPORTS THAT 600,000 CARS HAVE NOW BEEN PRODUCED AT THE BIELSKO BIALO SMALL CAR FACTORY IN SILESIA SINCE ITS OPENING IN NOVEMBER 1971. THE FACTORY HAS PRODUCED 216,000 SYRENAS AND A TOTAL OF 384,000 FIAT 126-P CARS UNDER LICENSE. OF THE FIATS, 288,000 WERE FOR THE DOMESTIC MARKET AND 96,000 WERE EXPORTED TO FRANCE, FRG, BELGIUM AND SWITZERLAND AND OTHER COUNTRIES.

3. COMMENT: THE BIELSKO BIALO SMALL CAR FACTORY-- NOT TO BE CONFUSED WITH THE MUCH OLDER POLSKI FIAT PLANT IN WARSAW-- IS RAPIDLY BECOMING ONE OF POLAND'S SHOWPLACE INDUSTRIAL SITES. IT CONSISTS OF A COMPLEX OF THREE PLANTS, ALL IN THE KATOWICE REGION OF SILESIA. AN ENGINE PLANT IS AT BIELSKO BIALO, A PRESSING AND BODY ASSEMBLY PLANT IS AT TYCHY, AND A LARGE FOUNDRY IS AT SKOCZOW NEAR THE CZECHOSLOVAK FRONTIER. ALL THREE PLANTS HAVE HIGHLY AUTOMATED, MODERN MACHINERY, PRIMARILY FROM THE FRG, BUT WITH SOME IMPORTANT ELEMENTS FROM JAPAN AND ITALY.

4. WHEN EMBASSY OFFICERS VISITED THE COMPLEX IN APRIL PRODUCTION WAS ESTIMATED AT ABOUT 3500 CARS PER WEEK, ABOUT 180,000 PER YEAR. THE LONG-TERM PRODUCTION GOAL WAS SAID TO BE 200,000 PER YEAR. THE LABOR FORCE AT ALL PLANTS WAS PREDOMINANTLY YOUNG, MOSTLY IN THEIR 20'S OR EARLY 30'S, LIMITED OFFICIAL USE

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WORKING TWO SHIFTS SIX DAYS A WEEK. A SWEDISH ENGINEERING GROUP WHICH ALSO WAS VISITING THE COMPLEX DESCRIBED THE FULLY-AUTOMATED FOUNDRY, A TURN-KEY EXPORT FROM WEST GERMANY, AS ONE OF THE MOST ADVANCED THEY HAD SEEN IN EUROPE. AND A UAW OFFICIAL WHO VISITED BIELSKO BIALO IN OCTOBER, 1977, TOLD US THAT THE BODY PLANT, WHICH IS EQUIPPED WITH JAPANESE AUTOMATIC WELDING MACHINES CAPABLE OF MAKING MULTIPLE SPOT WELDS IN LESS THAN ONE MINUTE, IS COMPETITIVE WITH MANY PLANTS IN THE DETROIT AREA.

5. QUITE APART FROM ITS IMPRESSIVE PERFORMANCE AND ITS PRESTIGE VALUE AS AN EXAMPLE OF POLISH ECONOMIC ACHIEVEMENT AND SUCCESSFUL UTILIZATION OF WESTERN TECHNOLOGY, BIELSKO BIALO'S SUCCESS RUND HEAD ON INTO TWO OF POLAND'S MOST SERIOUS ECONOMIC PROBLEMS. THEY ARE PROBLEMS WHICH CONFRONT OTHER COMECON EAST EUROPEAN COUNTRIES AS WELL. BUT IN POLAND THEY SEEM TO BE ESPECIALLY ACUTE. THEY ARE: HOW TO EXPAND EXPORTS TO HARD-CURRENCY MARKETS AND HOW TO IMPORT ENOUGH OIL TO MEET RISING INTERNAL DEMAND.

6. THE EXPORT PROBLEM IS INCREASINGLY APPARENT. BIELSKO BIALO OFFICIALS TELL US THEY PLAN TO EXPORT AT LEAST ONE-

THIRD OF ALL PRODUCTION, AND WE EXPECT THAT ACTUAL TARGETS ARE MUCH HIGHER. IN 1977, EXPORTS OF THE SMALL 126-P FIAT WERE, ACCORDING TO DATA GIVEN TO US BY PLANT OFFICIALS, 12,000 TO WEST GERMANY, 4000 TO FRANCE, AND 2000 TO BELGIUM. EXPORTS TO OTHER EAST EUROPEAN COUNTRIES (HUNGARY, CZECHOSLOVAKIA, BULGARIA, AND YUGOSLAVIA) WERE 18,000, AND EXPORTS TO THE USSR WERE 13,000. NOW, WITH POLAND SCRAPING THE BOTTOM OF THE BARREL TO FIND EVERY POSSIBLE SOURCE OF HARD CURRENCY, EFFORTS TO EXPORT TO THE EC AREA ARE BEING MAXIMIZED, AND MINISTRY OF MACHINE INDUSTRY OFFICIALS IN WARSAW OCCASIONALLY TALK ABOUT TRYING TO LAUNCH 126-P FIATS IN THE U.S. MARKET.

7. UNFORTUNATELY, THIS ATTEMPTED DRIVE FOR INCREASED SALES LIMITED OFFICIAL USE

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TO DEVELOPED CAPITALIST COUNTRIES IS COMING AT A TIME OF RISING CONCERN IN THESE COUNTRIES OVER IMPORTS OF LOW-COST COMECON PRODUCTION. EC IMPORTS OF COMECON PRODUCTS WERE UP 44 PERCENT IN VALUE FROM 1975 THROUGH 1977, ACCORDING TO THE AUGUST 5 ISSUE OF THE LONDON ECONOMIST, WHICH ALSO REPORTS EC CONSIDERATION OF A SPEED-UP IN ANTI-DUMPING PROCEDURES.

7. THE OIL PROBLEM IS EQUALLY APPARENT AND ITS SOLUTION IS EQUALLY OPAQUE. THE APRIL BIELSKO BIALO OFFICIALS PROUDLY TOLD US THAT NOW, IN 1978, THERE IS ONE CAR FOR EVERY 30 PEOPLE IN POLAND, WHILE IN 1976 THERE WAS ONE CARE FOR EVERY 60 PEOPLE. EVEN AFTER ALLOWANCES ARE MADE FOR EXAGGERATION, THERE CAN BE NO DOUBT THAT CAR OWNERSHIP IN POLAND IS MUSHROOMING STEADLY. AND THE OWNERS OF THE MADE - IN - BIELSKO BIALO FIATS WHICH SWARM AROUND WARSAW AND OTHER POLISH CITIES ARE OBVIOUSLY UNCONCERNED THAT THE USSR PLANS NO INCREASE IN ITS OIL EXPORTS TO POLAND OVER THE NEXT SEVERAL YEARS. A RECENT PRICE INCREASE FOR GAS AND OIL HAD VIRTUALLY NO EFFECT ON DEMAND.

8. BUT THE OIL PROBLEM REMAINS AND, AS WE HAVE REPORTED EARLIER, THE GOP'S MAIN HOPE OF SOLVING IT APPEARS TO BE A FRANTIC SCRAMBLE TO TRY TO LINE UP BARTER DEALS FOR OIL FROM THIRD - WORLD COUNTRIES -- IRAN, NIGHERIA, LIBYA AND MOST RECENTLY ALGERIA. MEANWHILE, THE YOUNG WORKERS OF BIELSKO BIALO CONTINUE TO OPERATE THEIR IMPORTED WESTERN MACHINERY WITH SKILL AND EFFICIENCY, AND IT APPEARS THAT TOTAL ANNUAL OUTPUT WILL ALMOST CERTAINLY PASS THE 200,000 LEVEL THIS YEAR.

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